



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

July 25, 2006

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending May 31, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

Please note that the attached report reflects estimates as of the end of May. The final target agreement estimated the FY06 ending GF balance at \$109.7 million.

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in cursive script, reading "Mary A. Lannoye".

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
John Burchett, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2006
Projected Revenues and Expenditures
May 31, 2006
(\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 220.5
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2006 Consensus Estimate	\$ 8,281.7
Adjustments to Consensus Baseline	
Additional Revenue Adjustments:	
Revenue Sharing Freeze (PA 196 of 2005 and May 2006 Consensus)	\$ 350.6
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 7.0
Agriculture Equine Industry Development Fund Revenue Deposit to GF (PA 42 of 2006)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (PA 76 of 2006)	\$ 15.0
Subtotal Additional Revenue Adjustments	\$ 592.0
Anticipated Revenue Adjustments:	
Land Sales (including Enrolled HB 5114)	\$ 47.0
State Services Fee Fund Deposit to GF (pending legislation)	\$ 6.0
Subtotal Anticipated Revenue Adjustments	\$ 53.0
Total FY Resources Available For Expenditure GF/GP	\$ 9,147.2
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
Enacted Supplemental (PA 153 of 2006)	\$ 22.2
Total Expenditures Projected	\$ 9,003.8
Projected Ending Balance, September 30, 2006	\$ 143.4

OFFICIAL BALANCE SHEET

SCHOOL AID FUND
Fiscal Year 2006
Projected Revenues and Expenditures
May 31, 2006
(\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 93.7
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,198.0
Adjustments to Consensus Baseline	
FY04 Audit Receivables Adjustments	\$ 3.0
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,201.0
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	<u>\$ 107.2</u>
Federal Aid	\$ 1,392.6
Total Available SAF Resources	\$ 12,794.5
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 12,757.2
Revised cost estimates	\$ (56.5)
Adjusted Appropriations	\$ 12,700.7
Projected School Aid Fund Ending Balance September 30, 2006	\$ 93.8

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

May 31, 2006

(\$ IN MILLIONS)

FISCAL YEAR 2004-05

FISCAL YEAR 2005-06

May 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc May 2006	Exp & Enc Yr-to-date 2005-06
4.8	58.6	93.6	Agriculture	119.2	1.9	5.3	52.1
4.4	36.1	57.4	Attorney General	63.8	1.5	4.2	37.5
22.6	187.5	291.2	Capital Outlay	228.3	47.6	4.5	12.3
1.0	8.2	12.3	Civil Rights	13.2	0.5	1.0	8.3
1.5	15.2	25.3	Civil Service	35.9	0.0	2.1	17.5
162.1	1,443.1	1,909.7	Colleges & Universities	1,868.8	0.7	169.9	1,370.4
879.7	6,518.0	9,808.9	Community Health	10,203.9	98.2	693.1	6,112.4
124.4	1,081.8	1,682.4	Corrections	1,841.3	0.0	146.1	1,138.6
4.5	60.1	78.8	Education	101.1	3.3	3.5	44.1
9.7	111.3	178.5	Environmental Quality	410.5	1.5	14.1	116.2
0.4	3.1	5.0	Executive Office	5.4	0.0	0.4	3.3
2.3	32.1	53.9	History, Arts & Library	53.2	0.6	2.9	29.5
353.4	2,631.0	3,929.5	Human Services	4,423.9	5.5	347.7	2,726.2
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
17.9	134.1	207.0	Judiciary	255.4	0.2	10.1	131.0
53.4	455.9	719.9	Labor & Economic Growth	862.6	94.2	60.0	475.6
10.0	82.4	131.2	Legislature	129.7	0.7	11.4	84.7
10.0	99.0	151.9	Management & Budget	169.8	12.9	10.7	103.2
7.5	67.7	102.6	Military Affairs	111.6	2.3	7.6	69.7
5.3	51.1	74.4	Natural Resources	95.8	3.3	6.1	52.7
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
14.5	138.8	215.3	State	197.4	0.2	43.0	166.0
31.4	256.7	427.4	State Police	550.8	24.7	41.3	299.1
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
16.0	1,031.2	1,528.7	Treasury	1,794.2	43.9	17.9	1,188.0
\$1,736.8	\$14,503.0	\$21,684.9		\$23,535.9	\$343.6	\$1,602.9	\$14,238.4

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

May, 2006

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.7	1.0	15,735.7
Total state spending from state resources	27,094.4	541.4	27,635.8
Percentage of state spending from state resources paid to local units	58.07%		56.94%
Required payments to local units (48.97%)	13,268.1		13,533.3
Surplus/(deficit)	\$2,466.6		\$2,202.4

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 OCTOBER 1, 2005 THROUGH MAY 31, 2006
 (in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>36</u>
Total Revenues	<u>36</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>36</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u><u>\$ 36</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2005 THROUGH MAY 31, 2006
(in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,407
Other	-
Total miscellaneous	<u>1,407</u>
Total Operating Revenues	<u>1,407</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	1,394
Total other operating expenses	<u>1,394</u>
Total Operating Expenses	<u>1,394</u>
Operating Income (Loss)	<u>13</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>13</u>
Net Income (Loss)	<u>\$ 13 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
 OCTOBER 1, 2005 THROUGH MAY 31, 2006
 (in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>37,933</u>
Total Revenues	<u>37,933</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	1,869
Capital outlay	<u>20,519</u>
Total Expenditures	<u>22,388</u>
Excess of Revenues over (under) Expenditures	<u>15,545</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	106
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,012)</u>
Total Other Financing Sources (Uses)	<u>(9,906)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 5,640 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

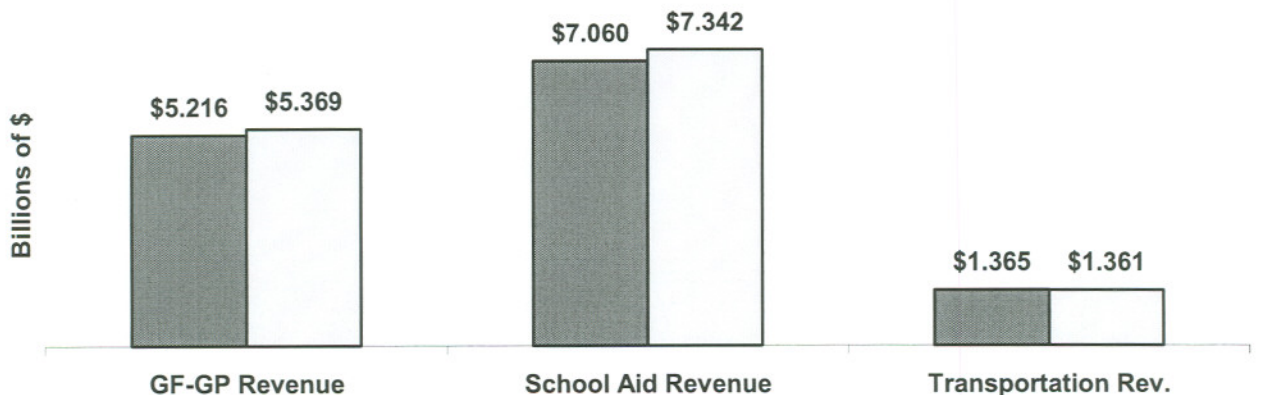
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for May 2006, representing some April and some May economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$59.4 million (7.4 percent) lower in May 2006 than in May 2005. The decrease is due in part to the timing of single business tax and withholding tax collections. May School Aid Fund cash collections were \$11.9 million (1.5 percent) higher than in May 2005. May transportation collections were \$8.5 million (5.4 percent) higher than in May 2005 (see revenue table). May is the eighth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$153.0 million (2.9 percent) from a year ago. School Aid Fund cash collections are up \$282.7 million (4.0 percent), and transportation collections are down \$3.5 million (0.3 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund – General Purpose revenue for FY 2005-2006 is \$8,281.7 million and the net School Aid revenue forecast is \$11,198.0 million. The Transportation Funds revenue forecast is \$2,238.5 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

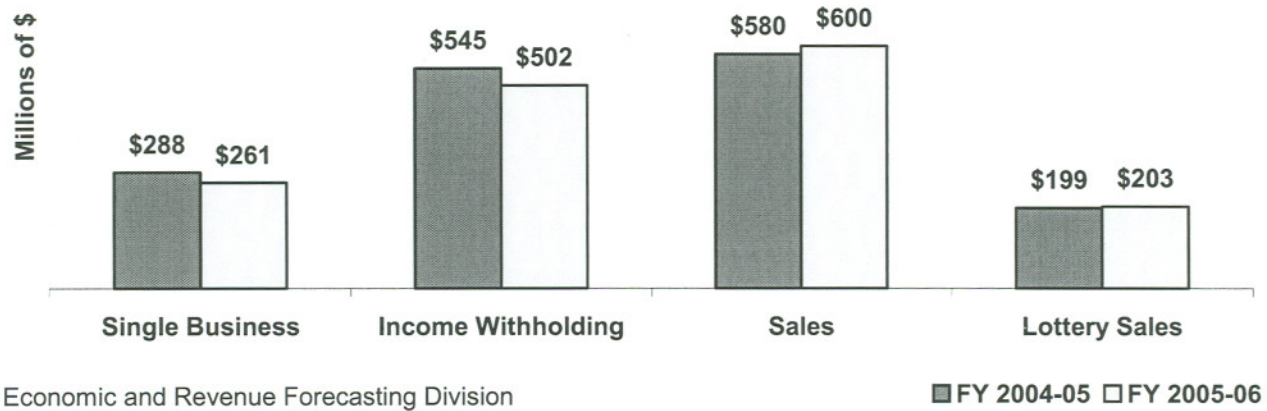
**October through May Collections
Fiscal Years 2004-05 and 2005-06**



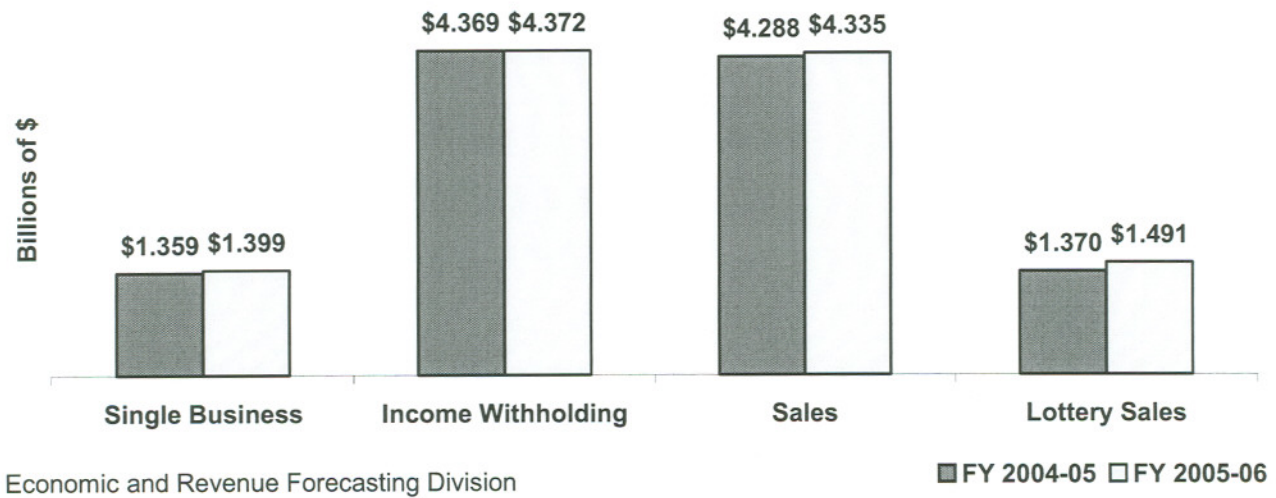
Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

May Revenue Collections Fiscal Years 2004-05 and 2005-06



October through May Collections Fiscal Years 2004-05 and 2005-06



Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: May 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH MAY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
May		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals	Statutory Estimate	May 2006 Consensus
Income Taxes											
\$544,953	\$502,424	(\$42,529)	-7.8%	Withholding	\$4,368,701	\$4,371,940	\$3,239	0.1%	\$6,427,400	\$6,607,100	\$6,516,600
6,079	5,352	(727)	-12.0%	Quarterlies	339,076	396,289	57,213	16.9%	643,000	670,100	722,000
83,403	80,291	(3,111)	-3.7%	Annuals	593,620	651,970	58,350	9.8%	648,600	624,200	695,100
634,434	588,068	(46,367)	-7.3%	Gross Collections	5,301,397	5,420,199	118,802	2.2%	\$7,719,000	\$7,901,400	\$7,933,700
148,428	147,302	(1,126)	-0.8%	Less: Refunds	1,517,642	1,522,060	4,418	0.3%	1,610,800	1,725,000	1,679,000
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500
486,006	440,765	(45,241)	-9.3%	Net Personal Income	3,783,756	3,898,139	114,383	3.0%	\$6,106,700	\$6,174,900	\$6,253,200
158,609	152,898	(5,711)	-3.6%	Less: Disbursements to SAF	1,325,349	1,409,252	83,902	6.3%	\$1,985,600	\$2,051,000	\$2,058,800
\$327,397	\$287,868	(\$39,530)	-12.1%	NET PERSONAL INCOME TO GF-GP	\$2,458,406	\$2,488,887	\$30,481	1.2%	\$4,121,100	\$4,123,900	\$4,194,400
Consumption Taxes											
\$8,371	\$7,921	(\$450)	-5.4%	Sales (a)	\$58,303	\$51,936	(\$6,366)	-10.9%	\$99,200	\$114,700	\$106,200
84,447	85,876	1,430	1.7%	Use	600,421	607,258	6,837	1.1%	934,700	963,600	941,100
9,437	17,909	8,472	89.8%	Tobacco	76,378	150,112	73,734	96.5%	116,500	228,100	235,300
4,815	4,058	(757)	-15.7%	Beer, Wine & Mixed Spirits	31,608	31,276	(332)	-1.0%	51,000	52,500	52,000
2,399	2,502	103	4.3%	Liquor Specific	19,167	19,882	715	3.7%	33,600	34,000	34,000
\$109,470	\$118,267	\$8,797	8.0%	TOTAL CONSUMPTION TAXES	\$785,876	\$860,465	\$74,588	9.5%	\$1,234,900	\$1,392,900	\$1,368,600
Other Taxes											
\$287,947	\$261,263	(\$26,683)	-9.3%	Single Business	\$1,358,873	\$1,398,885	\$40,013	2.9%	\$1,913,500	\$1,913,800	\$1,852,900
28,806	24,080	(4,726)	-16.4%	Insurance Premiums Taxes	177,909	166,729	(11,181)	-6.3%	249,500	240,000	235,000
316,753	285,343	(31,410)	-9.9%	Sub-total SBT & Insurance	1,536,782	1,565,614	28,832	1.9%	2,163,000	2,153,800	2,087,900
2,260	273	(1,987)	-87.9%	Inheritance / Estate	22,748	734	(22,014)	-96.8%	101,500	8,000	1,000
0	0	0	na	Telephone & Telegraph	45,741	46,433	692	1.5%	99,100	81,300	83,000
2,931	5,297	2,365	80.7%	Oil & Gas Severance	39,870	62,282	22,412	56.2%	66,700	60,000	94,000
3,714	3,756	42	1.1%	Casino Wagering	28,454	29,983	1,529	5.4%	42,200	43,100	44,100
8,947	11,907	2,960	33.1%	Penalties & Interest	77,114	98,765	21,651	28.1%	142,500	108,000	146,700
0	(1)	(1)	na	Miscellaneous Other/Railroad	142	128	(14)	-10.1%	1,200	0	0
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs	(53,333)	(58,333)	(5,000)	9.4%	(91,200)	(80,000)	(92,000)
\$327,939	\$298,908	(\$29,031)	-8.9%	TOTAL OTHER TAXES	\$1,697,518	\$1,745,605	\$48,087	2.8%	\$2,525,000	\$2,374,200	\$2,364,700
\$764,806	\$705,043	(\$59,763)	-7.8%	SUBTOTAL GF-GP TAXES	\$4,941,801	\$5,094,957	\$153,156	3.1%	\$7,881,000	\$7,891,000	\$7,927,600

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: May 31, 2006

MONTH-END CASH COLLECTIONS DATA					OCTOBER THROUGH MAY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
May		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006	
Totals											Estimate	Consensus
Non-Tax Revenue(h)												
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$23,333	\$23,333	\$0	0.0%	\$35,700	\$35,000	\$35,000	
167	167	0	0.0%	Local Agencies	1,333	1,333	0	0.0%	300	2,000	2,000	
1,500	1,500	0	0.0%	Services	12,000	12,000	0	0.0%	19,800	18,000	18,000	
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	36,000	27,667	(8,333)	-23.1%	27,400	54,000	34,000	
0	0	0	na	Investments/Interest Costs	(6,079)	(4,312)	1,766	-29.1%	(54,400)	(85,000)	(70,000)	
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	75,467	91,375	15,908	21.1%	135,100	124,500	144,600	
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	90,667	91,833	1,167	1.3%	142,200	134,000	140,000	
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	41,533	30,867	(10,667)	-25.7%	111,700	39,300	50,500	
\$35,042	\$35,342	\$300	0.9%	TOTAL NON-TAX REVENUE	\$274,255	\$274,096	(\$159)	-0.1%	\$417,800	\$321,800	\$354,100	
\$799,847	\$740,384	(\$59,463)	-7.4%	TOTAL GF-GP REVENUE	\$5,216,055	\$5,369,053	\$152,998	2.9%	\$8,298,900	\$8,212,900	\$8,281,700	
School Aid Fund												
\$236,152	\$244,671	\$8,519	3.6%	Sales Tax 4%	\$1,748,691	\$1,771,942	\$23,251	1.3%	2,690,000	2,814,800	2,738,800	
186,168	191,979	5,811	3.1%	Sales Tax 2%	1,373,455	1,382,001	8,546	0.6%	2,115,700	2,213,600	2,144,900	
42,223	42,938	715	1.7%	Use Tax 2%	300,211	303,629	3,419	1.1%	467,600	481,800	470,500	
27,672	20,848	(6,825)	-24.7%	State Education Property Tax	1,235,394	1,348,699	113,304	9.2%	1,914,500	1,956,900	2,010,000	
26,503	24,392	(2,111)	-8.0%	Real Estate Transfer Tax	202,301	209,395	7,095	3.5%	313,500	316,000	320,000	
55,000	70,000	15,000	27.3%	Lottery Transfer (d)	374,883	435,579	60,697	16.2%	667,600	654,300	708,500	
8,595	8,693	98	1.1%	Casino Wagering Tax	65,850	69,389	3,539	5.4%	97,600	99,700	102,000	
2,360	2,478	118	5.0%	Liquor Excise Tax	18,913	19,706	793	4.2%	33,100	34,000	34,000	
37,843	36,358	(1,485)	-3.9%	Cigarette/Tobacco Tax	306,267	304,749	(1,518)	-0.5%	472,700	463,100	473,300	
3,276	906	(2,371)	-72.4%	Indus. & Comm. Facilities Taxes	103,949	81,318	(22,631)	-21.8%	138,200	133,000	123,000	
452	602	150	33.2%	Specific Other	4,311	6,638	2,327	54.0%	13,600	14,800	14,100	
158,609	152,898	(5,711)	-3.6%	Income Tax Earmarking	1,325,349	1,409,252	83,902	6.3%	\$1,985,600	\$2,051,000	\$2,058,800	
\$784,853	\$796,762	\$11,909	1.5%	TOTAL SCHOOL AID FUND	\$7,059,574	\$7,342,298	\$282,724	4.0%	\$10,909,700	\$11,233,100	\$11,198,000	
\$579,754	\$599,763	\$20,009	3.5%	SALES TAX 6%	\$4,287,940	\$4,335,237	\$47,298	1.1%	\$6,599,100	\$6,905,000	\$6,709,600	
393,586	407,785	14,198	3.6%	SALES TAX 4%(d)	2,914,485	2,953,236	38,752	1.3%	4,483,400	4,691,400	4,564,700	
186,168	191,979	5,811	3.1%	SALES TAX 2%	1,373,455	1,382,001	8,546	0.6%	2,115,700	2,213,600	2,144,900	
126,670	128,814	2,144	1.7%	USE TAX 6%	900,632	910,888	10,256	1.1%	1,402,300	1,445,500	1,411,600	
12,840	12,986	146	1.1%	CASINO WAGERING TAX	98,368	103,655	5,287	5.4%	145,800	149,000	152,400	
93,438	89,995	(3,444)	-3.7%	TOBACCO TAXES	756,216	754,330	(1,885)	-0.2%	1,179,900	1,145,500	1,179,500	
0	0	(0)	na	TOBACCO SETTLEMENT	274,327	254,616	(19,711)	-7.2%	na	na	na	
(1)	0	1	na	CIGARETTE INVENTORY TAX	(299)	0	299	-100.0%	na	na	na	

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: May 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH MAY CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
May		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006	
Totals											Estimate	Consensus
Major Transportation Revenues												
\$10,076	\$9,592	(\$485)	-4.8%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$95,499	\$97,110	\$1,610	1.7%	\$146,308	\$151,100	\$153,000	
68,811	72,484	3,673	5.3%	Gasoline	598,352	589,032	(9,320)	-1.6%	922,368	942,000	918,000	
69,025	75,463	6,439	9.3%	Motor Vehicle Registration	589,174	595,373	6,199	1.1%	863,367	891,300	892,000	
6,252	4,238	(2,013)	-32.2%	Other Taxes, Fees & Misc.	44,214	32,199	(12,015)	-27.2%	221,060	190,013	207,719	
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	37,697	47,793	10,096	26.8%	62,749	76,793	67,751	
\$158,876	\$167,496	\$8,620	5.4%	TOTAL MAJOR TRANS. REVENUES	\$1,364,937	\$1,361,507	(\$3,430)	-0.3%	\$2,215,852	\$2,251,205	\$2,238,470	
Lottery Sales By Games (b)												
65,023	62,739	(2,284)	-3.5%	Instant Games	441,615	476,904	35,289	8.0%	na	na	na	
70,445	68,123	(2,323)	-3.3%	Daily Games	477,294	465,781	(11,512)	-2.4%	na	na	na	
25,575	26,207	632	2.5%	Lotto and Big Game	195,974	226,855	30,881	15.8%	na	na	na	
1,304	1,380	77	5.9%	Keno Game	8,774	9,604	831	9.5%	na	na	na	
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na	
36,406	44,627	8,221	22.6%	Club Games	246,472	311,380	64,908	26.3%	na	na	na	
\$198,753	\$203,076	\$4,323	2.2%	TOTAL LOTTERY SALES	\$1,370,129	\$1,490,526	\$120,397	8.8%	na	na	na	

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue estimates other than interest are estimates.

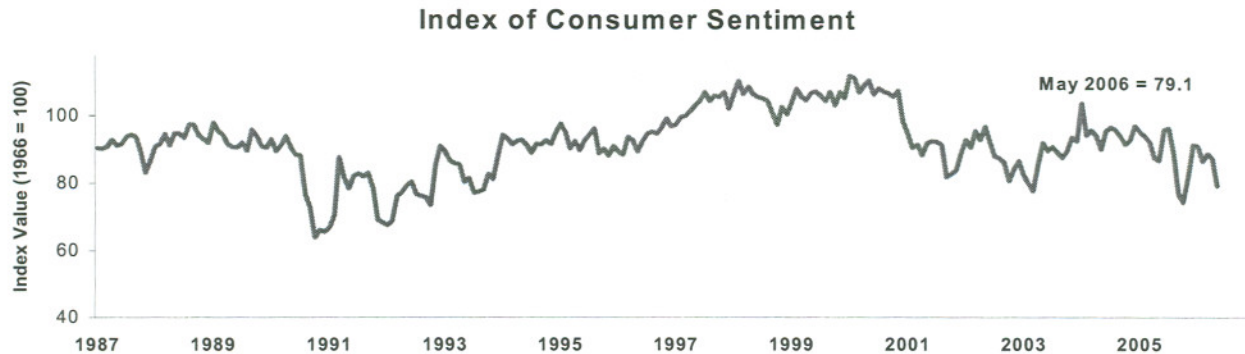
g Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 79.1 in May, 8.3 index-points below the April value and 7.8 index-points below May 2005. On the large decrease in confidence this month, Survey director Richard Curtin reported, "Consumer confidence sank in the May 2006 survey under the weight of high gas prices and rising interest rates. The Sentiment Index is now at its lowest level in more than a decade, aside from the three months that were due to non-economic and temporary circumstances following Hurricane Katrina and the initial invasion of Iraq." Curtin noted, "When consumers were asked to describe in their own words recent economic developments, high gas prices were cited by more consumers than at any other time during the past half century, and the highest proportion volunteered that high gas prices had worsened their financial situation. Home and vehicle buying attitudes were at their lowest levels in more than a decade." Curtin observed, "Continued interest rate increases were expected by more than three-in-four consumers in May. Higher interest rates and higher inflation were expected to weaken rather than strengthen the economy during the year ahead by more than a two-to-one margin in May." In May, consumers in only one of the four regions reported an increase in confidence. Western consumers reported an increase in confidence of 1.4 index-points. Midwestern consumers reported the largest decrease in confidence of 12.7 index-points, followed by Southern consumers with a decrease of 11.7 index-points. The gap across regions increased from last month to 10.1 index-points, with Western consumers on top and Southern consumers on the bottom.

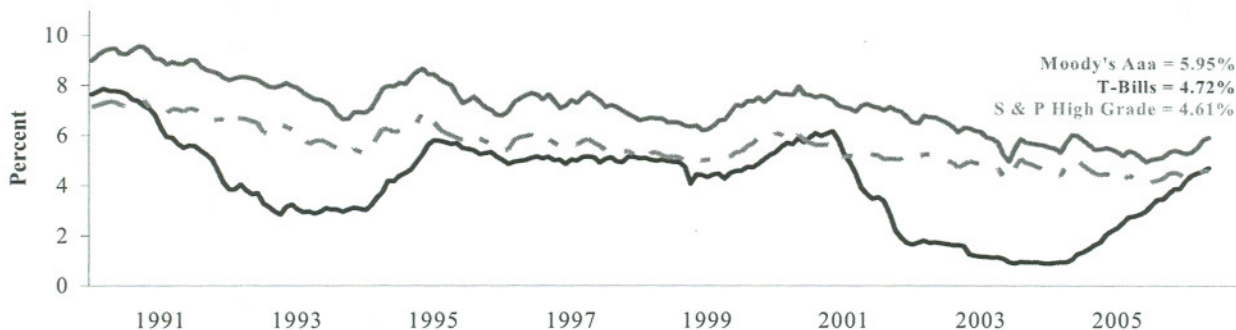
The preliminary estimate of real **Gross Domestic Product** for the first quarter of 2006 is \$11,394.7 billion (chained 2000 dollars), an increase of 5.3 percent at an annual rate. In the fourth quarter of 2005, real gross domestic product increased 1.7 percent. Personal consumption expenditures, equipment and software, exports and federal government spending led first quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 5.2 percent in the first quarter compared to an increase of 0.9 percent in the fourth quarter. Real residential fixed investment increased 3.1 percent in the first quarter compared to an increase of 2.8 percent in the fourth quarter. Real nonresidential fixed investment increased 13.1 percent in the first quarter led by increased investment in equipment and software of 13.8 percent. Real federal government expenditures increased 10.5 percent in the first quarter, compared to a decrease of 2.6 percent in the fourth quarter. Real state and local government spending increased 0.8 percent in the first quarter, compared to a 0.2 percent increase in the fourth quarter. Exports of goods and services increased 14.7 percent in the first quarter, compared to a 5.1 percent increase in the fourth quarter.

Imports increased 12.8 percent in the first quarter compared to an increase of 12.1 percent in the fourth quarter. Private inventory investment increased \$32.3 billion in the first quarter, down from a \$37.9 billion increase in the fourth quarter. Real final sales increased 5.5 percent in the first quarter compared to a 0.2 percent decrease in the fourth quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the first quarter compared to the 3.5 percent increase observed in the fourth quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.4 percent in May, down from a 0.6 percent increase in April. Energy increased by 2.4 percent in May; compared to a 3.9 percent increase in April, while the all-items less food and energy component increased 0.3 percent. For the six months since November, the all-items index increased at a 4.2 percent annual rate.

Compared to May 2005, the all-items index increased 4.2 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 1.9 percent; housing, 4.0 percent; medical care, 4.2 percent; recreation, 1.6 percent; education and communication, 2.7 percent; and other goods and services, 2.5 percent, with tobacco prices up 3.9 percent; transportation 9.0 percent, with gasoline prices up 33.4 percent. Apparel remained unchanged from a year ago.

Selected Key Interest Rates



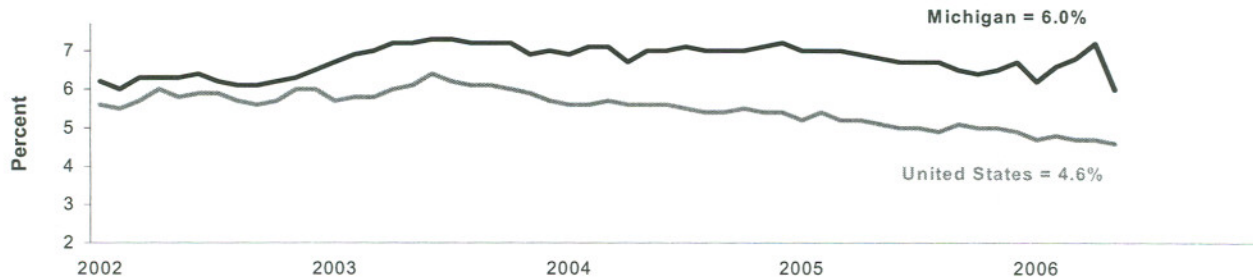
Source: Economic Indicators

Short-term **interest rates** increased 0.13 percentage points in May as the 3-month Treasury bill (T-bill) rate averaged 4.72 percent. Compared to one year ago, the T-bill rate is up 1.86 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.11 percentage points to an interest yield of 5.95 percent in May. Compared to one year ago, the Aaa bond yield is up 0.80 percentage points. The interest rate on High-grade municipal bonds increased 0.01 percentage points to 4.61 percent in May, and stands 0.45 percentage points above its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its May 10th meeting to 5.00 percent. The FOMC stated that, "As yet, the run-up in the prices of energy and other commodities appears to have had only a modest effect on core inflation, ongoing productivity gains have helped to hold the growth of unit labor costs in check and inflation expectations remained contained." The FOMC judges that, "some further policy firming may yet be needed to address inflation risks but emphasizes that the extent and timing of any such firming will depend importantly on the evolution of the economic outlook as implied by incoming information." The committee "will respond to changes in economic prospects as needed to support the attainment of its objectives."

In May, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 4.6 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 144.0

million persons in May, up 0.3 million from April. The number of unemployed was 7.0 million nationwide.

Unemployment Rates 2002 - 2006

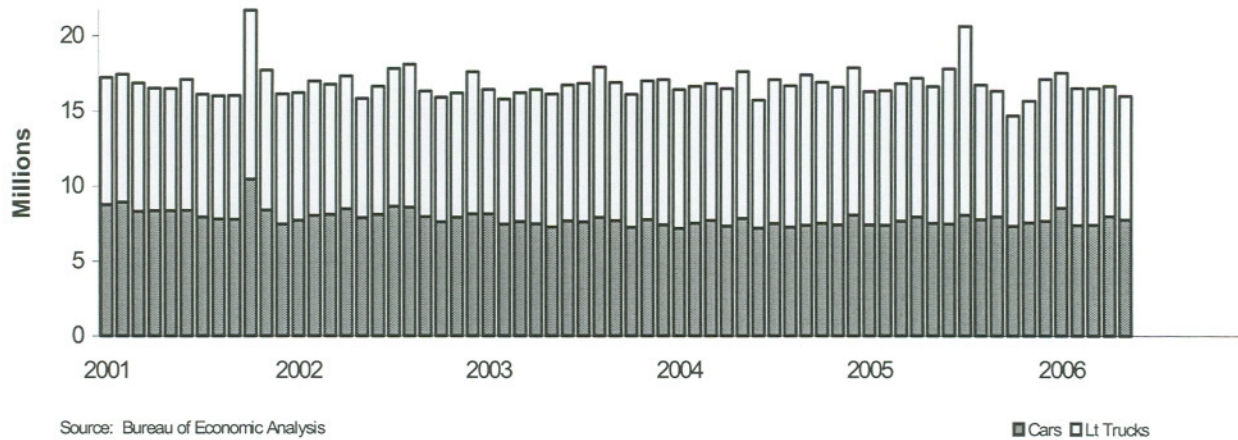


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In May, the **Michigan jobless rate** decreased 1.2 percentage points to 6.0 percent. Compared to a year ago, Michigan's jobless rate was 0.8 percentage points lower. From a month ago, the labor force decreased by 66,000 to 5,092,000, while the number of people employed decreased by 4,000 to 4,784,000. In May, there were 308,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.7 percent may be a better measure of actual conditions.

Motor Vehicle Sector

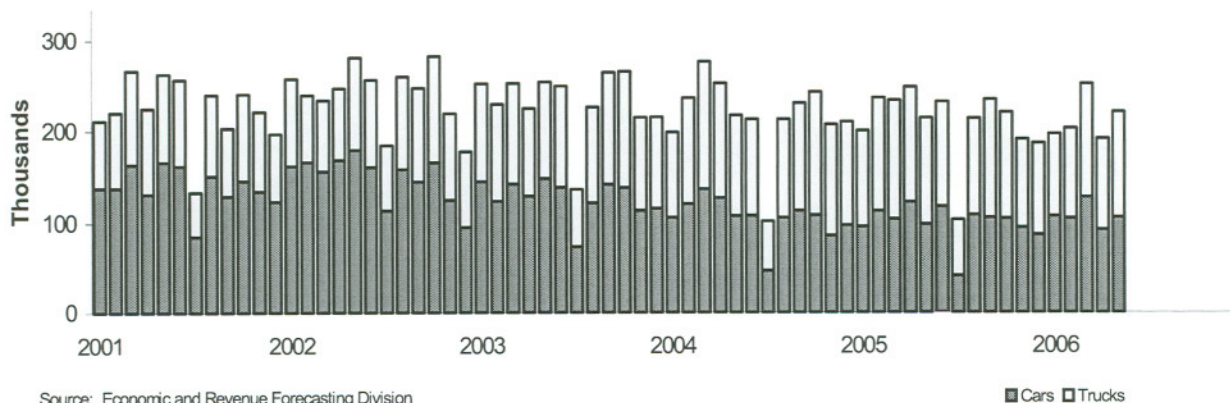
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) decreased 0.7 million units in May compared to last month, selling at a 16.0 million unit seasonally adjusted annual rate. Domestic car sales decreased 5.1 percent while domestic light truck sales decreased 3.9 percent. Import car sales increased 2.7 percent while import light truck sales decreased 10.2 percent. Compared to last year, light vehicle sales decreased 3.6 percent. Domestic car sales were up 0.2 percent while domestic light truck sales decreased 11.9 percent. Import car sales were up 11.5 percent while import truck sales rose 5.9 percent from last year. As a result, the domestic share decreased 2.8 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.9 percent share of a 16.4 million-unit market.

Michigan motor vehicle production increased to 221,035 units in May. From a year ago, motor vehicle production increased 3 percent in Michigan and rose 5 percent nationally. In May, Michigan's car production was 105,434 units while the state's truck production was 115,601 units. Compared with a year ago, car production increased 8 percent in Michigan and increased 11 percent nationwide. The state's truck production decreased 1 percent while national truck production rose 2 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 17, 2006 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Actual	Fiscal Year 2005-2006 Estimate
Applicable Calendar Year Personal Income	\$303,745	\$314,460	\$324,134
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
State Revenue Subject to Limit	\$24,384.7	\$25,626.8	\$26,211.0
Amount Under (Over) Limit	\$4,440.7	\$4,215.5	\$4,549.3

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury